PSG Wealth

Weekly Investment Update

14 September 2016

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Market moves

Performace: 03/09/2016 to 09/09/2016	Return (Cumulative)
Local Markets	
All Share TR ZAR	-0.19
Ind/Financials TR ZAR	0.99
Ind/Industrials TR ZAR	-0.90
Financials&Indl 30 TR ZAR	-0.41
Ind/Basic Materials TR ZAR	0.79
Gold Mining TR ZAR	-2.07
SA Listed Property TR ZAR	0.91
Beassa ALBI TR ZAR	1.59
Commodities	
Oil Price Brent Crude PR	2.52
LBMA Platinum AM PR USD	3.35
Gold London AM Fixing PR USD	1.84

The week ahead

Domestic

21 Sep Inflation rate

22 Sep Interest rate

International

15 Sep EA: Inflation rate

16 Sep US: Inflation rate

Macro

US

The number of Americans filing for unemployment benefits fell by 4 thousand to 259,000 in the week ended 3 September. Figures came below market expectations of 265,000, reaching the lowest since mid-July. The 4-week moving average, seen as a better measure of labour market trends as it removes week-to-week volatility, fell by 1,750 to 261,250.

UK

The trade deficit in the UK narrowed by £1.1bn to £4.5bn in July from an upwardly revised £5.6bn in June, aided by a weaker pound in the wake of the UK's vote to leave the EU. Exports increased by 1.9%, boosted by a 3.4% rise in the export of goods, while imports declined by 0.5%.

China

Consumer prices in China rose 1.3% YoY in August, compared to a 1.8% rise in July. It was the lowest inflation rate since October 2015 as the politically sensitive food prices increased by 1.3%, while non-food cost rose at a faster 1.4%. Cost of consumer goods gained 0.9% and those of services advanced 2.1%.

Markets*

Best performer

For the week was Finbond with a return of 12%. Wilson Bayly Holmes and Accelerate Property Fund was second, both with an 8% return for the week.

Worst performer

Net 1 UEPS Technologies was the worst performer for the week with a loss of 10%. Followed by Gold Fields with an 8% drop for the same period.

Sectors

The best performing sector for the week was the food production sector with a return of 2.2% for the week. The sector representing pharmaceuticals was the worst performing sector for the week with a 5.1% loss.

*Disclaimer: Total weekly returns based on closing values from Monday to Monday.

Macro note

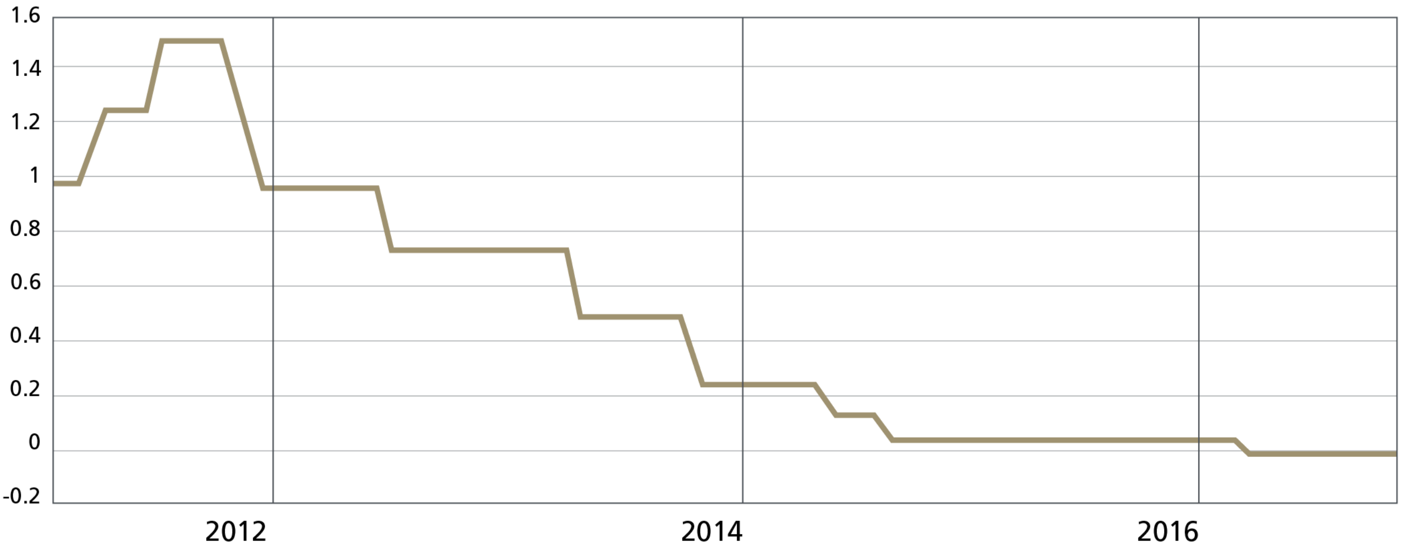
ECB lowers 2017 growth and inflation forecasts

The European Central Bank (ECB) slightly lowered its 2017 economic growth and inflation forecasts last week and predicted that price growth would remain below its target through 2018 despite extraordinary stimulus.

The ECB cut its 2017 growth forecast to 1.6% from 1.7% seen in June, to account for risks including the expected effect of Britain's decision to leave the European Union, ECB President Mario Draghi said.

Inflation has undershot the ECB's target for more than three years and is expected to stay below target for years to come as growth remains weak, unemployment hovers near 10% and the economy struggles with large slack. The ECB also kept its stimulus program unchanged in a sign that policy makers don't see an immediate danger to the euro-area recovery from risks including Britain's decision to leave the European Union. The Governing Council left the main refinancing rate at zero, the deposit rate at minus 0.4% and asset purchases at 80 billion euros a month.

ECB benchmark rate



Source: Trading Economics

Bottom line

The current economic outlook for the Eurozone is poor, and will remain this way for the foreseeable future. However, it is often these depressed times that create the best investment opportunities. These opportunities, however, are not freely available in broad asset classes or market indices, but mostly in high quality individual companies or securities that trade at very low prices.

Investors in the PSG Wealth Solutions can be assured that PSG Wealth has a robust research process to identify active managers who has proven their ability to find these golden opportunities, and who will use it on an attractive risk/reward basis in their portfolios.

Market note

Sasol's profits fall - Lower oil prices partially offset by weaker rand

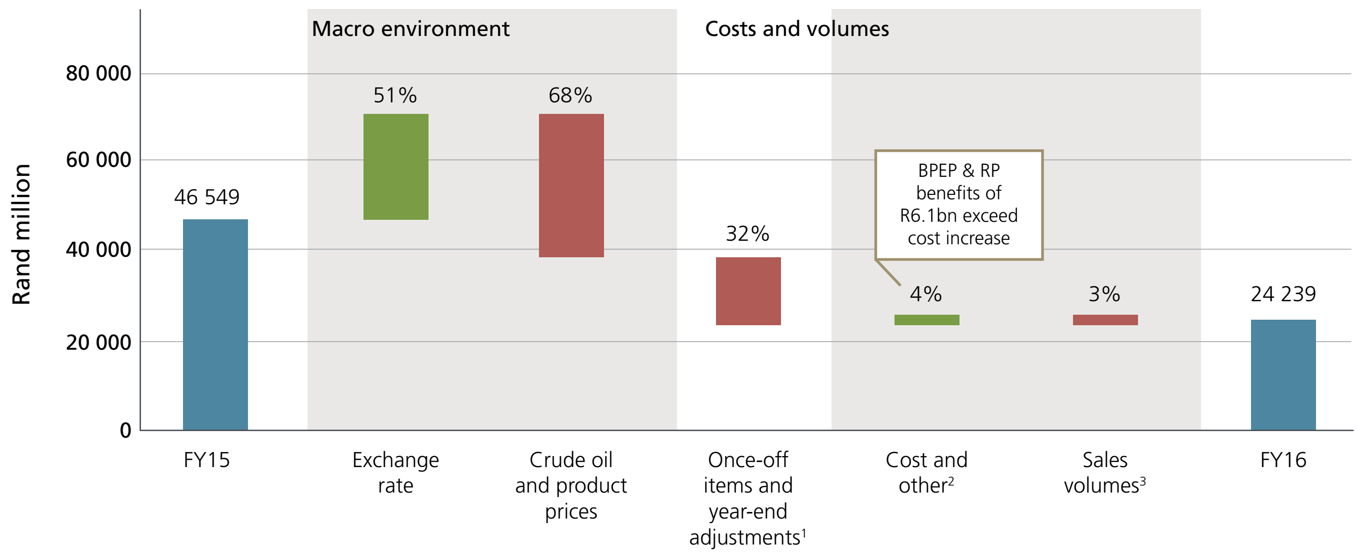
Sasol predictably reported lower profits this week as tumbling oil prices were partially rescued by the weaker rand for the financial year ending June.

Operating profit fell by 48% to R24.2bn mainly due to the substantial lower oil and commodity chemical prices which were 41% and 22% lower, respectively. To put this into perspective, the company said the average Brent crude oil price over the period was 41% lower at $43 per barrel than during the course of financial year 2015. The rand-dollar exchange rate on average was 27% lower than the previous year at R14.52 per share. According to its results, the negative impact from a lower commodity price environment was partially offset by a 27% weaker ZAR/USD exchange rate and meaningful contributions from its Business Performance Enhancement Programme (BPEP) and Response Plan (RP).

Normalised earnings per share (EPS), however, declined by 56% due to the re-measurement of items which totalled R12.9bn. Of this R9.9bn (before tax) was due to forced impairments on the company's share in the Montney shale gas asset in Canada.

The group declared a gross final dividend of 910cps (2015: 1150cps), which is 21% lower than in the comparative period. The group recently communicated that the return on its Lake Charles chemical project (LCCP) is expected to be below the estimate determined at the final investment decision, but slightly above the group's weighted average cost of capital (WACC) of 8% on an unlevered basis. The LCCP is only expected to contribute to results in the 2021/22 financial year. Concerns on potential capex overruns and delays at the $11bn project and the strain that this would place on its balance sheet continue to weigh heavily on investor sentiment. Given the nature of this project this is likely to persist in the medium term.

Operating profit impacted by volatile macro environment and once-off item



1. Includes current year Canadian impairment (R9.9bn), LCCP impairment (R1.0bn), other remeasurement items (R1.2bn), share-based payment expense (R1.4bn), Competition Tribunal penalty reversal (R0.5bn) and changes to the rehabilitation provision (R3.7bn), partly negated by reversal of EGTL tax provision (R2.3bn)
2. Includes BPEP and Response Plan benefits (R6.1bn), partly negated by incremental depreciation of (R1.9bn), inflation on cost (R2.4bn) and increase in rehabilitation provision (R1.6bn)
3. Energy's sales volumes remained flat year on year, Base Chemicals normalised sales volumes decreased by 2,6% due to reduction in traded fertilisers and lower demand for some commodity chemical products and a planned stock build to improve customer supply (1%). Performance Chemicals (PC) absolute sales volumes decreased by 1% mainly due to the planned Ammonia plant shutdown in Sasolburg. Normalised PC sales volumes up 1.8%

Source: Sasol financial results year ended 30 June 2016

PSG Wealth

Previous publications

Daily

14 Sep 2016

Weekly

07 Sep
31 Aug
17 Aug
10 Aug
02 Aug
27 Jul
13 Jul
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29 Jun
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04 May
26 Apr
20 Apr
12 Apr
05 Apr
30 Mar
23 Mar
16 Mar
09 Mar
01 Mar
23 Feb
11 Dec
20 Nov
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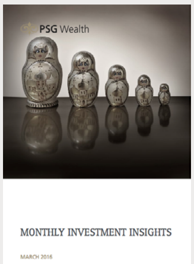
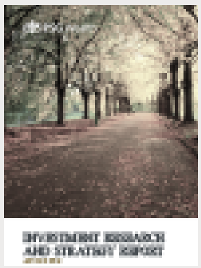
Monthly



Aug 2016
Jul 2016
Jun 2016
May 2016
Apr 2016
Mar 2016
Feb 2016
Dec 2015
Nov 2015
Oct 2015
Sep 2015
Aug 2015
July 2015
Jun 2015
May 2015

Quarterly



Winter 2016
Autumn 2016
Summer 2015
Spring 2015